

Annual Audit and Inspection Letter

March 2008



Annual Audit and Inspection Letter

Halton Borough Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

| | |
|--|-----------|
| Key messages | 4 |
| Action needed by the Council | 4 |
| Purpose, responsibilities and scope | 6 |
| How is the Council performing? | 7 |
| The improvement since last year - our Direction of Travel report | 8 |
| Service inspections | 11 |
| The audit of the accounts and value for money | 13 |
| Looking ahead | 16 |
| Closing remarks | 17 |
| Availability of this letter | 18 |

Key messages

- 1 This report provides an overall summary of the Audit Commission's assessment of Halton Borough Council. The main messages for the Council included within this report are as follows.
- 2 The Council has continued to maintain its strong performance and has once again been assessed as a four star Council under the Audit Commission's CPA process. The Council's direction of travel also continues to be positive and we have assessed it as improving well during 2007. Key achievements in 2007 include significant increases in education attainment at GCSE level, improvements in crime rates and reductions in unemployment across the borough. Access to services has also improved following enhancements to the mobile library service, the benefits bus and the investment in children's centres borough wide.
- 3 There are some areas where further work is needed to bring the Council's performance up to the standard of the best performing councils. These include improving the condition of footpaths and principal roads and improving waste management arrangements. Other areas where the Council's achievements are less consistent include road safety, where road injuries and deaths have increased rather than reduced, and health where female life expectancy continues to be an issue. The Council's progress against the equality standards has also been slower than expected.
- 4 We issued an unqualified audit opinion on the Council's 2006/07 accounts on 20 September 2007. We also issued an unqualified value for money conclusion.
- 5 The Council continues to manage its use of resources effectively and we have assessed the Council as a level 3 organisation - performing well. We did however note scope to further strengthen arrangements in several areas, particularly financial management, asset management and value for money.

Action needed by the Council

- 6 Key areas for action for members in particular to note are to:
 - respond to the key messages arising from the repeat Corporate Assessment report when this is published in July 2008;
 - focus on improving performance in those areas where the Council's performance is relatively low;
 - make more progress on the internal equality and diversity agenda;
 - enhance financial management processes to include more detail and context within the financial forecast, develop a strategy on balances and reserves and monitor performance against it;

- strengthen and better evidence the strategic management and reporting of the Council's asset base; and
- progress the Council's procurement agenda to help ensure that identified savings and efficiencies are delivered.

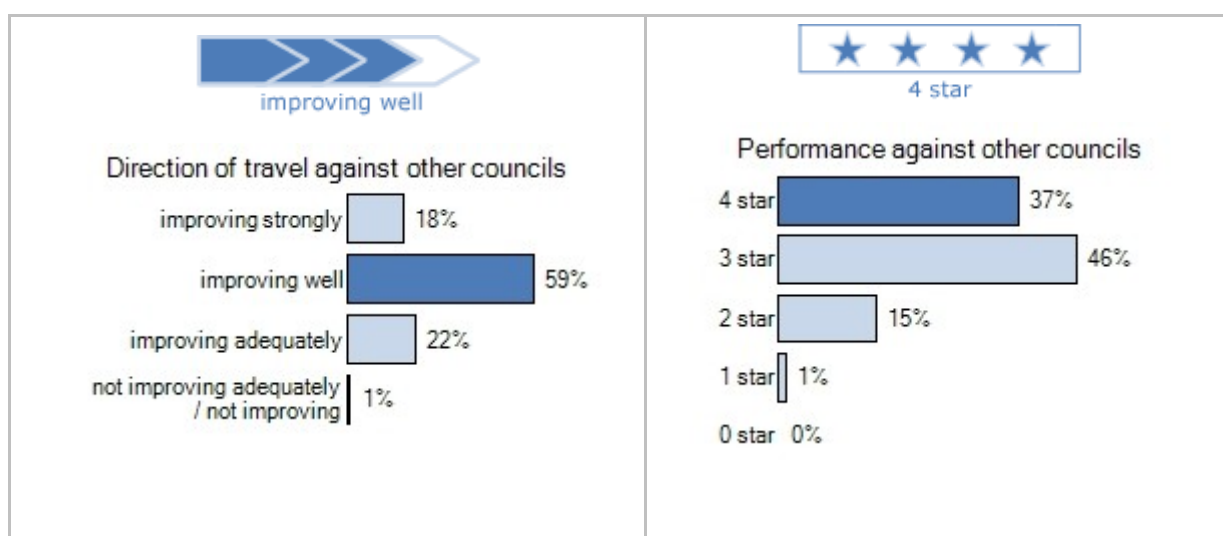
Purpose, responsibilities and scope

- 7 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 8 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 9 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 10 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 11 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 12 We have listed the reports issued to the Council relating to the 2006/07 audit and inspection work at the end of this letter.

How is the Council performing?

- 13 The Audit Commission's overall judgement is that Halton Borough Council is improving well and we have classified the Council as four star in its current level of performance under the Comprehensive Performance Assessment (CPA). This assessment which took place in 2005 will be updated in July 2008, following the Council's repeat corporate assessment which is currently in progress.
- 14 Comprehensive performance assessments have been completed in all single tier and county councils with the following results.

Figure 1



Source: Audit Commission

- 15 The detailed assessment for Halton Borough Council is as follows.

Our overall assessment - the CPA scorecard 2007

Table 1 CPA scorecard 2007

| Element | Assessment |
|---|----------------|
| Direction of Travel judgement | Improving well |
| Overall | 4 stars |
| Corporate assessment/capacity to improve | 4 out of 4 |
| Current performance (using 2007 assessment) Children and young people* | 3 out of 4 |

| | |
|-----------------------|------------|
| Social care (adults)* | 3 out of 4 |
| Use of resources* | 3 out of 4 |
| Housing | 3 out of 4 |
| Environment | 3 out of 4 |
| Culture | 4 out of 4 |
| Benefits | 4 out of 4 |

(Note: * these aspects have a greater influence on the overall CPA score. 1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

- 16** The Council is improving well and it continues to contribute to improving wider community outcomes. There is good evidence of improvements in many service priority areas and the Council has a relatively high proportion of top performing performance indicators (PIs). However its rate of improvement, measured by published PIs, is below the average for similar authorities. The Council is aware of the areas where its performance needs to improve and is taking action to address them.
- 17** With partners, the Council has contributed to improving outcomes and quality of life for residents across the borough. National statistics on deprivation levels show that in 2007 Halton became a less deprived area, moving from the 21st to the 30th most deprived area in the country. Achievements during 2007 include:
- initiatives such as Widnes Waterfront Enterprise Development Zone and Halton People into Jobs which helped 700 people in 2006/07 and thus contributed to a continuing fall in unemployment levels:
 - reductions in crime levels: and
 - continued reductions in adult smoking rates.
- 18** In some areas, however, planned improvements in outcomes have not been achieved for example on road safety. The recent trend of a reduction in the number of people killed or seriously injured on Halton's roads has not been sustained over the past twelve months. Reducing health inequalities is also still a key challenge for the Council. Despite increases in male life expectancy in Halton, female life expectancy has not improved. Teenage conceptions have also increased.
- 19** There have been good achievements in the following service priority areas.
- Significantly increasing the number of young people gaining A-C* passes at GCSE. The Council had the best rate of improvement in the country in 2007;
 - Achieving one of the strongest rates of performance improvement in social services for adult and older people;
 - Maintaining the excellent service assessment score for housing benefits.

- Bringing more houses up to the decent homes standards.

20 There are, however, services where performance is still relatively low or has not improved. There is a good awareness of the areas requiring improvement and the Council is seeking to address these. These include improving:

- the condition of footpaths and principal roads; and
- waste management arrangements.

Performance on major planning applications has improved but further work is needed to increase the number of minor planning applications that are completed within required timescales.

21 User satisfaction is strong. Halton has the fourth highest satisfaction rating of all unitary councils and has continued to increase user satisfaction in contrast to the national trend of falling levels of satisfaction. The majority of users think the way the Council runs things has got better and that the Council is making Halton a better place to live. Satisfaction with the majority of Council services is also positive with examples including:

- Libraries – the refurbishment of Ditton and Kingsway libraries has contributed to Halton having the joint highest satisfaction rating for libraries in the country; and
- Parks and open spaces – a significant increase in resident satisfaction.

22 There has been good progress on improving access to services. The mobile library service and the benefits bus deliver services directly into the community where demand is high, or where access to fixed facilities is not convenient. Up to date locally accessible services for children and families are also being provided within communities, following investment in children's centres across the borough. The establishment of five Children & Young Peoples Area Networks has enabled a move towards the provision of targeted and coordinated services at a community level. This demonstrates a commitment to improving services for hard to reach groups. However, improvements to equality and diversity internally have been slower. Level three of the equality standard has not yet been achieved, it was originally planned for March 2007 but is now not expected until 2009. In addition, the composition of the Council's workforce shows some minor reductions in the per cent of top earners who are from a black and minority ethnic community, are women or have a disability.

23 Overall, the Council can demonstrate that there is a balance between costs and performance showing that value for money (VFM) is provided. Areas of high spending have been identified, which are usually as a result of investment in priorities, and the Council has a good understanding of costs in relation to local circumstances. The use of information on performance and costs and how this compares to others is being used more systematically than in 2006 and is informing the Council's overall approach to becoming more efficient.

- 24 We have also assessed the progress the Council has made in delivering plans to sustain future improvement. The Council has used the community strategy and its corporate plan to address the needs of Halton in terms of health, crime, jobs and skills, urban renewal and children and young people. As a result of this, a range of activities and plans have been developed by the Council directly and in partnership with other organisations.
- 25 Overall there is good progress being made against priorities. The development of the '3MG' site will create an estimated 1,500 jobs initially with a further 5,000 later on. In addition, the Council continues to develop its proposal for the Mersey Gateway Bridge. A range of other plans and strategies are also developing well. These include consultation as part of 'Building Schools for the Future', work on a new contract for waste management and disposal, proposals to improve carbon management and a strategy to meet the service needs of all older people. Improvements in services to tackle domestic abuse are also being implemented, neighbourhood management is being rolled out following pilot initiatives and a site for the traveller community is being identified.
- 26 The Council has also developed its approach to community cohesion. In conjunction with key officers from the Council and LSP partners, the Audit Commission undertook a community cohesion baseline assessment for Halton. The findings from the work have been used to strengthen the community cohesion strategy being agreed with partners and identify appropriate local indicators. This will help the Council to better meet the needs of its diverse community more and be more proactive in identifying potential areas of tension.
- 27 The Council has invested in a number of areas to improve its capacity and sustain future improvements. In its service areas this is reflected in external assessments of 'good capacity' to improve services for children and young people and the capacity to improve in adult services being judged as 'excellent'. The Council faces significant financial pressures in the next three or four years. Following the establishment of the Business Efficiency Board, it has adopted an efficiency strategy and agreed a number of areas for future efficiencies. These include accommodation, agency staff, workforce planning and procurement with a potential £1 million of annual savings identified. In addition the Council has appointed an efficiency partner to identify further savings and efficiencies in the way the Council is organised. It is important that the Council makes its efficiencies as this will impact upon the prospects for sustaining future improvement.
- 28 The Council is currently undergoing a repeat corporate assessment. The on site work takes place in April with the final report expected to be published in July 2008. The corporate assessment is a detailed and rigorous inspection of how the Council engages with and leads its communities, delivers community priorities in partnership with others and ensures continuous improvement across the range of council activities. The Council will need to action any issues arising from this assessment.

Service inspections

- 29 An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.

BFI (Benefits Fraud Inspectorate)

- 30 The BFI has gathered information from an evidenced self assessment submitted by the Council and from Best Value performance indicators and performance measures, and used these to assess the performance of the Council's benefits service. The Council's benefits service has once again been rated as excellent. The results of the BFI assessment are summarised in Table 2 below.

Table 2 Benefits Service: performance standards scores

| Theme | 2007 |
|-----------------------|----------------------|
| Claims administration | 4 |
| Security | 4 |
| User Focus | 4 |
| Resource Management | 4 |
| Overall Score | 4 (Excellent) |

Source BFI Analysis 2007

- 31 The overall score of 4 from the BFI is used to determine the CPA score for 'Benefits' as shown in the CPA scorecard at Table 1 of this letter.

CSCI (Commission for Social Care Inspection)

- 32 CSCI's annual assessment of the Council's services for adults for 2007 is highlighted in Table 3 below.

Table 3 CSCI ratings 2007

| Star Rating | Outcomes | Capacity to Improve |
|-------------|----------|---------------------|
| 3 star | Good | Excellent |

Source CSCI

- 33 CSCI's rating for the Council's adult services is used to help determine the CPA score for 'Social care (adults)' as shown in the CPA scorecard at Table 1 of this letter.

OFSTED (Office for Standards in Education)

- 34 OFSTED has worked jointly with CSCI in carrying out the annual assessment of the Council's children's services and have graded the Council as follows.

Table 4 OFSTED assessment 2007

| Aspect of assessment | Grade awarded |
|---|----------------------|
| Overall effectiveness of children's services | 3 |
| Being healthy | 3 |
| Staying safe | 4 |
| Enjoying and achieving | 3 |
| Making a positive contribution | 4 |
| Achieving economic well-being | 2 |
| Capacity to improve, including the management of services for children and young people | 3 |

Source: OFSTED 2007

- 35 OFSTED's ratings for the Council's children's services are used to help determine the CPA score for 'Children and young people' as shown in the CPA scorecard at Table 1 of this letter.

The audit of the accounts and value for money

- 36** As your appointed auditor, I have reported separately to the Executive Board on the issues arising from my 2006/07 audit and have issued:
- my annual governance report, providing an unqualified opinion on your accounts and a conclusion on your VFM arrangements to say that these arrangements are adequate; and
 - my report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 37** The findings of the auditor are an important component of the CPA framework described earlier in this letter. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 38** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 5

| Element | Assessment |
|--|------------|
| Financial reporting | 3 out of 4 |
| Financial management | 3 out of 4 |
| Financial standing | 3 out of 4 |
| Internal control | 3 out of 4 |
| Value for money | 3 out of 4 |
| Overall assessment of the Audit Commission | 3 out of 4 |

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 39 The Council has performed well and maintained its overall good performance from last year.
- 40 The Council's 2006/07 final accounts process was well managed. The accounts were produced by the required deadline and to a good standard. They were supported by good quality working papers and audit queries and requests for additional information were dealt with promptly. The accounts were free of material misstatement and error although we did identify some minor compliance issues with the Statement of Recommended Practice (SORP).
- 41 External accountability continues to be promoted. Council minutes and reports are available promptly and in a variety of formats, and once again this year the Council has produced an annual report. There is however scope to further improve and act upon the results of stakeholder feedback to inform the annual report process.
- 42 Financial management arrangements are well established. The Council's medium term financial forecast links to its corporate priorities and forms an integral part of the corporate planning process. Although the forecast is updated annually we have identified scope to further strengthen its content and impact.
- 43 The Council has a proven track record of strong budgetary control. Performance reports include both financial and performance indicator information. Financial reporting on significant partnerships is in place and action plans are developed and monitored when overspends occur. Financial awareness training has been carried out during the year but there is a need now for this to be extended to other staff within the Council. Last year we recommended that the executive should review its effectiveness and the leadership it provides on financial management. This process has started but was not in place during 2006/07.
- 44 In 2006/07 the Council has once again maintained its spending within available resources and indications are that it is on track to deliver its overall budget in 2007/08. Various reports are available which provide members with an understanding of the Council's approach to reserves and balances but there is scope to better formalise and integrate these arrangements by producing a balances and reserves strategy. In addition, monitoring and reporting of the Council's financial position could be further enhanced by more specific monitoring of performance against reserves and balances.
- 45 The Council has a significant asset base and asset management is the one area where the Council's performance has slipped since last year. There is clear evidence that the Council manages its assets at a service and operational level but corporate management of the asset base was less clearly demonstrated. The Council now needs to update its asset management plan, evidence better the strategic management and reporting of its asset base and more consistently use thorough option appraisal and whole life costing in making investment and disposal decisions.

- 46** During the year the Council has continued to develop its risk management processes to ensure that consideration of risk and its management forms part of the corporate and service planning framework. There is an approved risk management policy and toolkit in place and corporate and directorate risk registers are well established. Significant partnerships have been identified and governance arrangements for partnerships continue to develop and strengthen.
- 47** The Council's framework for ensuring probity and propriety in business conduct is robust. Codes of conduct exist for both members and staff and arrangements are in place for raising awareness and monitoring compliance. Registers of gifts and hospitality exist but there is scope to better evidence their review. The Council has worked effectively with the Audit Commission in supplying data for the National Fraud Initiative (NFI) and in monitoring and managing its output. It has also been proactive in raising awareness of standards of ethical behaviour through training, and further training on business ethics and partnerships is planned for 2007/08. Worthy of particular note are the twice yearly reports presented to the Standards Committee on declarations of interest. This positive reporting could be further extended to other areas.
- 48** In terms of value for money, the Council has demonstrated a more solid base for achieving value for money in 2006/07 and is making progress in managing value for money. Areas of high spending have been identified, and the Council has a good understanding of costs in relation to local circumstances. The Council continues to challenge costs through approaches like the base budget review, and areas of unintended spending have been identified and addressed. The Council is actively pursuing a robust strategy to achieve efficiency targets and regularly monitoring progress against these. The efficiency strategy has identified key work-streams and priorities to improve value for money.
- 49** A more strategic approach to procurement has been developed. The Council is aware of where greatest savings can be achieved by improving procurement practice, and is acting upon these. However, the impact of these is limited and the pace at which the Council is moving forward in delivering saving and efficiencies through its procurement practices is slower than similar authorities. If the Council is to improve its score for value for money it needs to make greater progress on its procurement arrangements and the delivery of savings and efficiencies.

Looking ahead

- 50 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 51 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 52 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 53** This letter has been discussed and agreed with the Chief Executive and Strategic Director Corporate and Policy. A copy of the letter will be presented at the Executive Board in April 2008. Copies of this letter need to be provided to all Council members.
- 54** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year. These are listed in the following table.

Table 6 Reports issued

| Report | Date of issue |
|---|----------------------|
| Audit and inspection plan 2006/07 | March 2006 |
| Audit and inspection plan 2007/08 | March 2007 |
| Annual Governance Report | September 2007 |
| Opinion on financial statements | September 2007 |
| Value for money conclusion | September 2007 |
| Whole of government account return: auditor's report | October 2007 |
| Opinion report | October 2007 |
| Use of resources report | November 2007 |
| Data quality management arrangements report | November 2007 |
| Best value performance plan: auditor's statutory report | December 2007 |
| Direction of travel | January 2008 |
| Grant claim certification report | February 2008 |
| Annual audit and inspection letter | March 2008 |

- 55** The Council has taken a positive and constructive approach to our audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 56 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Julian Farmer
District Auditor and Relationship Manager

March 2008